



# A NAFTA THAT WORKS MUST EMPOWER WORKING PEOPLE, NOT CORPORATIONS

## **THE NORTH AMERICAN FREE TRADE AGREEMENT**

has failed working people in Canada, Mexico and the United States. While overall trade volume and corporate profits are up, wages in all three countries have remained stagnant.<sup>1</sup> Worker productivity increased, but workers are not receiving a fair return on their work.<sup>2</sup> The freedom for working people to negotiate together is under constant attack, resulting in union density falling across North America<sup>3</sup> while economic inequality has grown.<sup>4</sup> Worker rights are under assault in all three signatory countries.

Working people's opposition to NAFTA is not about isolationism or opposition to "trade" per se. Rather, we oppose a set of rigged rules made by and for global corporations that enrich themselves at the expense of working people. Trade should be a cooperative endeavor that benefits all of us.

NAFTA's race-to-the-bottom rules can't be fixed with mere tweaks or by importing rules from the failed Trans-Pacific Partnership. We must replace NAFTA's vicious cycle with a virtuous one. A new NAFTA, with rules that working people help write, is an opportunity to begin constructing a Global New Deal for working families.<sup>5</sup> We hope these recommendations are the beginning, not the end, of the conversation about how to reform NAFTA.

**Democratize the Renegotiation Process.** The TPP negotiations demonstrated that secrecy breeds contempt. NAFTA renegotiation must be transparent, democratic and participatory, with more access for Congress and the

public to proposals and negotiating texts. There must be opportunities for public comment, periodic congressional hearings to review progress and more inclusive trade advisory committees.

**Add Strong Labor Rules with Swift and Certain Enforcement.** To help raise wages and improve working conditions, NAFTA must ensure all workers can exercise fundamental labor rights reflected in ILO labor conventions, including the bedrock right to form unions and bargain collectively. NAFTA must embed strong labor obligations in the text and establish an independent enforcer with innovative tools and penalties to overcome entrenched indifference to worker rights.

**Eliminate Corporate Courts.** The new NAFTA must omit the investor-to-state dispute settlement (ISDS) mechanism, which undermines the rule of law and facilitates offshoring by creating unique privileges and private "courts" in which foreign investors can challenge laws they claim will cut profits.<sup>6</sup>

**Create Jobs by Adding Enforceable Currency Rules.** NAFTA must include enforceable currency rules subject to penalties for violations. Currency realignment would create 2.3 million to 5.8 million jobs over the next three years.<sup>7</sup>

**Strengthen Rules of Origin.** Rules of origin should be set to maximize benefits for workers, farmers and firms in NAFTA countries. This includes increasing regional value requirements for autos, auto parts and other manufactured products, and enforcing "melted and poured" standards for steel.

**Protect Responsible Government Purchasing and Buy American Policies.** NAFTA should support domestic job creation efforts by eliminating procurement commitments and promoting responsible bidding standards.

**Improve Screening for Foreign Domestic Investment.** Update and improve the Committee on Foreign Investment in the United States to be sure it can review greenfield investments and use a “net economic benefit test.” Update NAFTA to accommodate this change.

**Improve Trade Enforcement as Part of a Robust Manufacturing Policy.** Trade rules are only as good as their enforcement. Enforcement tools must be expanded and used promptly. Rules crafted to create a fair and level playing field and promote good jobs in growing industries will support employment and wage growth in all three NAFTA countries.

**Eliminate Obstacles to Effective Trade Enforcement.<sup>8</sup>** Replace those limits with a cooperation mechanism to promote effective enforcement against unfairly traded products from non-NAFTA countries.

**Combat Tax Dodging.** To ensure global companies pay their fair share of taxes, NAFTA needs new rules to combat tax avoidance schemes, secret tax deals and transfer pricing ploys.

**Remove Rules That Undermine Protections for Workers, Consumers and the Environment.** NAFTA must not limit, undermine or inhibit public interest standards or regulations. NAFTA must ensure that North America’s democracies retain the right to develop, advance and implement commonsense protections, including country-of-origin labeling, free from the threat of trade challenges.

**Add Commitments to Invest in Infrastructure.** Investing in infrastructure drives long-term, broadly shared growth,

but is hard to do when global companies are driving a race to the bottom. Adding an infrastructure commitment will help balance the incentives that have depressed public investment.

**Protect Consumers and Ensure Financial Stability.** A new NAFTA should not expand financial services commitments or limit regulation of the financial sector. NAFTA should protect the ability to engage in fair and nondiscriminatory application of capital controls and other measures to ensure the stability of the financial system.

**Promote Highway Safety.** Ensure all Parties enforce domestic highway safety, labor protections and environmental standards on foreign trucks and buses.

**Protect Intellectual Property While Ensuring the Right to Affordable Medicines.** NAFTA should retain strong provisions to protect creative and innovative workers whose living is tied to international copyright protection, while ensuring no patent, pricing or data protection rules undermine affordable medicines or interfere with the provision of Medicare, Medicaid or other public health programs.

**Prohibit Global Corporations from Using NAFTA to Capture Public Services for Profit.** Expand the public services exception to protect democratic decision making regarding the best way to provide transit, postal, water and other services.

**Add Strong Environmental Rules with Swift and Certain Enforcement.** NAFTA must be reformed to include strong environmental standards that will be enforced. NAFTA must require adoption of and compliance with key multilateral environmental agreements; combat illegal trade of timber and wildlife; promote responsible fisheries; and ensure countries cannot gain an unfair trade advantage by allowing highly polluting practices.

## Endnotes

1 See, e.g., Robert E. Scott, Jeff Faux and Carlos Salas, “Revisiting NAFTA: Still Not Working For North America’s Workers,” Economic Policy Institute, 2007. Available at: [www.epi.org/publication/bp173/](http://www.epi.org/publication/bp173/); Dean Baker, Opinion, “NAFTA Lowered Wages, As It Was Supposed To Do,” The New York Times, Nov. 24, 2013. Available at: [www.nytimes.com/roomfordebate/2013/11/24/what-weve-learned-from-nafta/nafta-lowered-wages-as-it-was-supposed-to-do](http://www.nytimes.com/roomfordebate/2013/11/24/what-weve-learned-from-nafta/nafta-lowered-wages-as-it-was-supposed-to-do).

2 *Id.*

3 Organisation for Economic Co-operation and Development, StatExtracts, Trade Union Density 1994–2012. Available at: <http://stats.oecd.org/Index.aspx?QueryId=20167#>.

4 Heather Long, “U.S. Inequality Keeps Getting Uglier,” CNN Money, Dec. 22, 2016. Available at: <http://money.cnn.com/2016/12/22/news/economy/us-inequality-worse/index.html>.

5 Richard Trumka, Address to the Global Progressive Forum, Oct. 7, 2010.

6 William Greider, “The Right and US Trade Law: Invalidating the 20th Century: How the right is using trade law to overturn American democracy,” *The Nation*, Nov. 17, 2001. Available at: [www.thenation.com/article/right-and-us-trade-law-invalidating-20th-century#](http://www.thenation.com/article/right-and-us-trade-law-invalidating-20th-century#).

7 Robert E. Scott, “Stop Currency Manipulation and Create Millions of Jobs, With Gains across States and Congressional Districts,” EPI Briefing Paper #372, Economic Policy Institute, Feb. 26, 2014. Available at: [www.epi.org/publication/stop-currency-manipulation-and-create-millions-of-jobs/](http://www.epi.org/publication/stop-currency-manipulation-and-create-millions-of-jobs/).

8 Chapter 19 of NAFTA.

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